

AR43

ANNUAL
REPORT
1968

FINLAYSON ENTERPRISES LTD.

FINLAYSON ENTERPRISES LTD.

DIRECTORS

G. A. BODDY

R. W. FINLAYSON

R. H. HOPPE

D. A. McINTOSH, Q.C.

H. T. O'NEILL

D. L. SINCLAIR

H. SUTHERLAND

OFFICERS

President - - - - - R. W. FINLAYSON

Vice-President - - - - - G. A. BODDY

Secretary - - - - - H. SUTHERLAND

Treasurer - - - - - R. D. WILLIAMSON

REGISTRAR AND TRANSFER AGENT

CANADA PERMANENT TRUST COMPANY

TORONTO, ONTARIO

WINNIPEG, MANITOBA

To the Shareholders of

FINLAYSON ENTERPRISES LTD.

The Directors take pleasure in submitting the Annual Report of your Company for the year ending December 31st, 1968. As was reported to the shareholders, the Company sold, as at October 31st, 1968, the Stuart Brothers division and its associated companies in the West Indies and United States.

As forecast in the 1967 Annual Report the level of sales for the year 1968 was quite satisfactory but net profit on operations after income taxes declined substantially and amounted to \$121,815. The sales and earnings of the Wood and Grover subsidiaries were satisfactory but the profit margin in the Griffiths-Kerr division decreased. In addition the profits for two months of the Stuart Brothers operation did not accrue to the Company and there was a substantial increase in income taxes payable.

We are budgeting for higher sales and profits in all three units of the Company for the year 1969. However, it is unlikely that the consolidated operating profit of the Company for 1969 (which will include interest on investments) will increase greatly as we will not have the benefit of the earnings from the Stuart Brothers operations.

The major changes in the Balance Sheet between 1967 and 1968 are the addition of \$2,200,000 in short term securities and the elimination of the Stuart group. In addition bank loans have been reduced. As a result in the year the current ratio increased from 1.8 to 2.6 and the shareholders' equity increased from \$861,000 to \$2,344,000.

It is your Directors' intention actively to pursue the acquisition of new companies. Already several promising situations are under investigation. In this regard it can be said that we have a strong base, excellent financial support and the qualified personnel to continue the growth of your Company.

R. W. FINLAYSON

President

TORONTO, ONTARIO, March 7th, 1969

Consolidated Balance Sheet

	1968	1967
CURRENT		
Cash on Hand and in Banks.....	\$ 75,285	\$ 83,511
Short Term Note and Income Debenture—Note 1.....	1,200,000	—
Accounts Receivable.....	420,644	499,412
Merchandise Inventories, at lower of cost and net realizable value.....	607,285	986,820
Cash Value of Life Insurance Policies.....	36,927	33,647
Prepaid Expenses.....	24,238	21,314
Corporation Income Taxes Refundable.....	—	10,749
TOTAL CURRENT ASSETS.....	<u>\$2,364,379</u>	<u>\$1,635,453</u>
SPECIAL REFUNDABLE CORPORATION TAX.....	\$ 8,762	\$ 8,250
INVESTMENT IN INCOME DEBENTURE, maturing June 1970.....	<u>\$1,000,000</u>	<u>\$ —</u>
INVESTMENT IN FOREIGN SUBSIDIARIES (Not Consolidated).....	<u>\$ —</u>	<u>\$ 76,616</u>
FIXED		
Equipment, Automotive Equipment and Leasehold Improvements—at cost.....	\$ 170,239	\$ 520,748
Less: Accumulated Depreciation.....	122,535	267,370
TOTAL FIXED ASSETS.....	<u>\$ 47,704</u>	<u>\$ 253,378</u>
Approved on behalf of the Board. R. W. FINLAYSON, <i>Director</i> G. A. BODDY, <i>Director</i>		
	<u>\$3,420,845</u>	<u>\$1,973,697</u>

TORONTO, ONTARIO, 3rd March 1969

ENTERPRISES LTD.

COMPANIES

as at 31st December 1968
at 31st December 1967)

LIABILITIES

	1968	1967
CURRENT		
Bank Loan (Secured)—Note 2	\$ 250,000	\$ 250,000
Accounts Payable and Accrued Charges	546,417	605,925
Provision for Income and Other Taxes	130,289	55,387
Due to Foreign Subsidiary, not consolidated	—	1,130
TOTAL CURRENT LIABILITIES	<u>\$ 926,706</u>	<u>\$ 912,442</u>
DEFERRED AND SECURED—Note 2		
Loan	<u>\$ 150,000</u>	<u>\$ 200,000</u>
SHAREHOLDERS' EQUITY—Notes 3 and 4		
CAPITAL		
<i>Authorized:</i>		
16,133 Class "A" Shares without nominal or par value		
100,000 Class "B" Shares without nominal or par value		
600,438 Class "C" Shares of par value \$1.00 each, of which 66,940 shares have been issued and redeemed		
<i>Issued and Fully Paid:</i>		
16,133 Class "A" Shares }	\$ 281,671	\$ 256,233
61,684 Class "B" Shares }		
493,472 Class "C" Shares	493,472	—
	<u>\$ 775,143</u>	<u>\$ 256,233</u>
EARNED SURPLUS		
Unappropriated	\$1,502,056	\$ 567,938
Restricted as to Distribution to Shareholders	66,940	37,084
	<u>\$1,568,996</u>	<u>\$ 605,022</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$2,344,139</u>	<u>\$ 861,255</u>
	<u>\$3,420,845</u>	<u>\$1,973,697</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- The short term note and income debenture comprises an investment certificate of \$200,000 and an income debenture of \$1,000,000. The income debenture (together with any income thereon) is required to be retained by the Company in escrow to meet any claims which may be asserted by the purchaser of the Stuart Brothers Division of the Company. This arrangement terminates on 11th December 1969 or subsequently if any claims made by the purchaser prior to that date have not been satisfactorily settled. The income debenture matures 18th December 1969. The Company has been advised by counsel that it is unlikely that any claim of substance will be made against the funds so held in escrow.
- The Company's indebtedness to its bankers is secured by the hypothecation of \$1,000,000 of income debenture.
- During the year the Company issued 4,750 Class "B" shares as a result of the exercise of options by executives for a cash consideration of \$25,438 and issued 530,468 Class "C" shares by way of stock dividends on the Class "B" shares. 36,996 Class "C" shares were redeemed for a cash consideration of \$36,996.
- Dividends on the Class "B" shares, or any other shares junior to the Class "A" shares, may not be declared unless all cumulative preferential dividends of 90¢ per share per annum on the Class "A" shares have been paid or set aside for payment and unless either (i) the consolidated current assets of the Company and its subsidiaries, after deducting therefrom the amount of the dividend to be declared, are not less than 1½ times the amount of the consolidated current liabilities, or (ii) the consolidated current assets of the Company and its subsidiaries, after deducting therefrom the consolidated current liabilities and the amount of the dividend to be declared, are not less than \$500,000. The terms "consolidated current assets" and "consolidated current liabilities" are defined in the share conditions.
- Net profit for the year has been increased by approximately \$15,000, as compared to \$61,000 in 1967, through a reduction in the provision for income taxes by means of the application of losses carried forward from prior years.
- Net profit for the year includes the operating results of the food flavours division and the foreign subsidiaries for the ten months ended 31st October 1968, the effective date of the sale thereof.
- Liabilities in foreign currencies are converted at the rates of exchange in effect at 31st December 1968.
- The Company and some of its subsidiaries are involved in certain legal actions but the companies have, with the advice of counsel, taken the position that the claims against them have no justification.

FINLAYSON ENTERPRISES LTD.
AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss for Year Ended 31st December 1968
(With comparative figures for year ended 31st December 1967)

	1968	1967
SALES (net).....	<u>\$4,719,607</u>	<u>\$4,511,877</u>
Profit on Operations for the year, before accounting for the undernoted items.....	\$ 333,007	\$ 371,057
Add: Income from Investments.....	7,644	—
Parent's Proportion of Profit of Subsidiaries not consolidated.....	18,874	41,352
	<u>\$ 359,525</u>	<u>\$ 412,409</u>
Less: Directors' Remuneration, including salaries of Officers who are also Directors.....	\$ 98,280	\$ 101,272
Interest on Indebtedness not maturing within one year.....	15,847	16,765
Provision for Depreciation and Amortization of Fixed Assets.....	39,615	40,202
	<u>\$ 153,742</u>	<u>\$ 158,239</u>
Profit before providing for Income Taxes.....	\$ 205,783	\$ 254,170
Provision for Income Taxes—Note 3.....	83,968	41,793
* Operating Profit after Income Taxes.....	\$ 121,815	\$ 212,377
Add: Profit on Disposal of Capital Assets.....	1,457,021	10,292
NET PROFIT FOR YEAR.....	<u>\$1,578,836</u>	<u>\$ 222,669</u>

Consolidated Statement of Earned Surplus for Year Ended 31st December 1968
(With comparative figures for year ended 31st December 1967)

UNAPPROPRIATED

Balance at beginning of year.....	\$ 567,938	\$ 430,504
Add: Transfer from Restricted Surplus.....	7,140	—
Net Profit for Year.....	1,578,836	222,669
	<u>\$2,153,914</u>	<u>\$ 653,173</u>
Less: Cash Dividends paid during year—		
Class "A" Shares.....	\$ 14,520	14,520
Class "B" Shares.....	37,024	31,615
Stock Dividends on Class "B" Shares.....	530,468	9,982
Transferred on Redemption of Class "C" Shares under Section 61 of the Canada Corporations Act.....	36,996	9,982
15% Tax on Elections under Section 105(2) of the Income Tax Act.....	32,850	525
Write Down on Devaluation of Foreign Currency.....	—	18,611
	<u>\$ 651,858</u>	<u>\$ 85,235</u>
Balance at end of year.....	<u>\$1,502,056</u>	<u>\$ 567,938</u>

RESTRICTED AS TO DISTRIBUTION TO SHAREHOLDERS

Balance at beginning of year.....	\$ 37,084	\$ 28,292
Less: Write Down on Devaluation of Foreign Currency.....	—	1,190
Reclassification as a result of Sale of Subsidiary.....	7,140	—
	<u>\$ 29,944</u>	<u>\$ 27,102</u>
Add: Transferred during year.....	36,996	9,982
Balance at end of year.....	<u>\$ 66,940</u>	<u>\$ 37,084</u>
Balance at end of year.....	<u>\$1,568,996</u>	<u>\$ 605,022</u>

FINLAYSON ENTERPRISES LTD.
AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds
for year ended 31st December 1968

(With comparative figures for year ended 31st December 1967)

SOURCE OF FUNDS	1968	1967
Net Profit for Year	\$1,578,836	\$222,669
Add: Depreciation, a non-cash outlay	39,615	40,202
	<u>\$1,618,451</u>	<u>\$262,871</u>
Less: Non-Cash Credits		
Profit on Disposal of Capital Assets	\$1,457,021	\$ 10,292
Parent's Proportion of Profit of Subsidiaries not consolidated	18,874	41,352
	<u>\$1,475,895</u>	<u>\$ 51,644</u>
FUNDS OBTAINED FROM OPERATIONS	\$ 142,556	\$211,227
Funds arising from Sale of Capital Assets	1,726,812	—
Proceeds from Issue of Class "B" Shares	25,438	35,000
Cash Dividends received during year from Subsidiaries not consolidated	13,584	6,792
TOTAL FUNDS OBTAINED	<u>\$1,908,390</u>	<u>\$253,019</u>
APPLICATION OF FUNDS		
Payment on Deferred Loan	\$ 50,000	\$ 50,000
Redemption of Class "C" Shares	36,996	9,982
15% Tax paid on Elections under Section 105(2) of the Income Tax Act	32,850	525
Purchases of Equipment, Furniture and Fixtures	21,826	30,683
Special Refundable Corporation Tax	512	1,875
Dividends Paid during year—Class "A" Shares	14,520	14,520
—Class "B" Shares	37,024	31,615
Devaluation Write Down applicable to Working Capital	—	11,082
Purchase of Income Debenture	1,000,000	—
TOTAL FUNDS APPLIED	<u>\$1,193,728</u>	<u>\$150,282</u>
INCREASE IN CONSOLIDATED WORKING CAPITAL	\$ 714,662	\$102,737
X Consolidated Working Capital at beginning of year	723,011	620,274
X CONSOLIDATED WORKING CAPITAL AT END OF YEAR	<u>\$1,437,673</u>	<u>\$723,011</u>

